

## Executive Summary

- Rather than trying to appeal to everybody, the approach to enhancing the retail mix of Downtown Wichita should be one of identifying which “niches” would be the most promising.
- Niches can be defined in many different ways. One method of particular relevance is “psycho-graphics”, which analyzes markets qualitatively, in terms of what lifestyles, sensibilities and aspirations are most prevalent.
- For example, businesses focusing on “hipsters” (young, creatively- and alternatively-minded types who live in and are drawn to the underground) should be targeted for the Delano business district. Examples include funky footwear and vintage clothing shops.
- Businesses directed at “yup-sters” (creatively- and alternatively-minded types who are more established and affluent, ranging from young professional to empty nester) should be steered towards Old Town and the emerging Old Town West. Examples include “upscale bohemian” fashion boutiques and “cross-over” ethnic eateries.
- Businesses catering to “young adults” (college students and recent graduates) should be directed to Old Town and surrounding blocks. Examples include “cheap chic” purveyors and dance clubs.
- Food and drink offerings appealing to the broadest possible market should be sited within or on the periphery of Old Town, heading towards INTRUST Bank Arena. Examples include “middle-of-the-road” concepts like family restaurants, as well as less conventional ones such as a trendy “retro-chic” bowling alley and “casual chic” restaurant/bar combos.
- Such establishments are most appropriately located there rather than in the WaterWalk development so as to take full advantage of the synergies of locating within or near Downtown’s *existing* dining and nightlife concentration.
- This last category of tenant serves a dual purpose, in that it also positions Downtown as something that belongs to everyone, a true crossroads that in some ways welcomes all of Wichita, with businesses that are relevant to a wide audience and not just to one or two narrowly defined niche markets.
- The sorts of retail uses for which WaterWalk would be appropriate are those “one-per-market” brands that seek a central location easily accessible from the entire metro and therefore covet the close proximity to the U.S. 400/U.S. 54/East Kellogg Avenue freeway, and that are willing and able to stand alone.
- A retail incubator similar to the Farm & Art Market of the 1990’s should be re-introduced, in a location that would not otherwise be leasable to market-driven tenancies but would, perhaps with the help of a non-retail anchor use, ensure a level of foot traffic that gives the individual vendors at least some chance of survival in the early years.
- The Wichita Downtown Development Corporation (WDDC) should also consider the development of an in-house recruiter, a salaried, full-time employee dedicated solely to identifying and pursuing retail tenant prospects, who can supplement and support the efforts of brokers by assuming responsibility for the time, headache and risk often involved in trying to fill downtown retail space.
- Recruitment often requires direct retail “stimulus” so as to level the playing field for downtown retail, *in addition* to the standard façade-improvement fund. An example would be a forgivable-loan program to help with tenant build-out.

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### **Downtown retail as a niche attraction**

When thinking about how to improve or enhance the retail mix of a given downtown, those of a certain age think back to the '50's (or earlier), when it was *the* premier shopping district of the entire city, when it was a "mass-market" attraction. That is, everybody went there, and it was a part of the city's collective understanding of itself, with stores that everyone shopped in and traditions that everyone took part in.

Given all that has happened since (see Appendix A), it is very difficult to recreate that sort of downtown today. This does *not*, however, mean that efforts to improve on the current retail mix would be futile, just that the approach will need to be different. Indeed, the "mass-market" aspiration, while perfectly appropriate in the 1950's, is a somewhat outdated one at the dawning of the 2010's, when retail is rarely marketed in such terms; today, success means segmentation.

To understand this change, consider the matter of television. The airwaves were long dominated by the "big three" networks. In 1980, more than 90 percent of viewers were tuned in to CBS, NBC or ABC during prime time.<sup>1</sup> Everyone watched them, thereby creating an experience common to all Americans (or at least, the very high percentage that owned sets).

Over the next quarter of a century, the market share of the big three would be eroded by the introduction of countless new broadcast and cable networks, many with their own, narrowly defined "niche" audiences. Soon, there was a channel for every interest and every sensibility, and mass was less "mass" than it had ever been before, with only 32 percent of viewers watching CBS, NBC or ABC during prime time by 2005.<sup>2</sup>



A similar change has occurred in retail, especially in *urban* settings, where business districts are increasingly defined and differentiated by the tiny micro-slivers of the consumer marketplace to which they cater. Rather than uniting everyone with a

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<sup>1</sup> According to a March 1, 2008 piece by Douglas Blanks Hindman and Kenneth Weigand in *The Journal of Broadcasting and Electronic Media* entitled "The big three's prime-time decline: a technological and social context".

<sup>2</sup> Ibid.

common experience, like the downtowns of yesteryear, they attract a collection of self-selecting “niche” audiences.

The approach, then, has to be one of identifying which of these “niches” would be the most promising for Downtown.

Of course, niches can be defined in many different ways. One method of particular relevance in this instance is with the use of “psycho-graphics”. As opposed to demographics, which characterizes markets in quantitative terms, psycho-graphics analyzes them qualitatively, in terms of what lifestyles, sensibilities and aspirations are most prevalent.

Imagine the typical Saturday evening at the Vagabond Café in Delano, at Caffè Moderne in Old Town and at Heroes Sports Bar, also in Old Town: each offers a different sort of crowd, with relatively little cross-over between them. We intuitively understand these distinctions. Indeed, we often self-select on the basis of them. That, in a nutshell, is psycho-graphics: it helps to explain such choices.

### **The “hipster”**

Take, for example, the typical patron of the Vagabond. He/she belongs to the “hipster” psycho-graphic: young creatively- and alternatively-minded types who live in and are drawn to the underground. They shop vintage and retro, wear Chuck Taylor Converse sneakers and funky eyeglasses, exhibit multiple tattoos and piercings, drink craft and blue-collar beers, listen to vinyl records and up-and-coming bands, ride skateboards and fixed-gear bicycles, etc.



Hipsters tend to be the “early adopters” who set trends and pioneer neighborhoods. They are not deterred by a little grit, and they do not frighten easily: indeed, too much polish and amenity makes them suspicious. Furthermore, the lack of convenient parking is not a deal-breaker for them; in fact, many walk, take the bus or ride a bike. They are usually believers in downtown, not skeptics.

Hipster-oriented businesses are scattered in Wichita’s case, somewhat diluting their overall impact, but their absolute number (see table) clearly points to the presence of a market. Needing inexpensive space, such entrepreneurs are drawn to the low-rent



areas immediately adjacent to Downtown, for example, along West Douglas Avenue in Delano, East Douglas Avenue in the Design District, East Central Avenue between North Washington Street and North Hillside Street, etc.

TABLE 3. EXAMPLES OF HIPSTER-ORIENTED BUSINESSES (not exhaustive)

Name	Category	Location
Street Skinz	Skate	Towne East Square
Endless Ride	Skate	East Central Avenue
Wheels Skate & Snack Shop	Skate	Downtown
Klassic Line	Vintage/thrift	Delano
DAV (Disabled American Veterans) Thrift Store	Vintage/thrift	Delano, East Central Avenue (five locations in total)
Rewound Sounds	Music	Delano
Bicycle X-Change	Bikes	Delano, East Central Avenue
Vagabond Café	Café	Delano
Donut Whole	Café	Design District
Beacon Restaurant	Diner	Downtown
Ty's Diner	Diner	Delano
The Anchor	Bar	Design District
Finn's Lounge	Bar	Downtown
Kirby's Beer Store	Bar	WSU
Lucky's	Bar	Design District
Blank Page Gallery	Gallery/Performance Space	Delano

Source: MJB Consulting

One should be careful not to *overestimate* the size of this market. Indeed, Wichita is relatively underrepresented in the kinds of arts and information-technology jobs typically filled by hipsters. Having said that, there are retail categories where they remain under-served, most notably, footwear, an important fashion accessory for this psycho-graphic, and vintage clothing.



The assumption is often that hipsters, while influential in starting trends, do not have much money to spend. Yet while this may be true, the reality is that they *will* spend in categories and on brands that have **meaning** for them on a psycho-graphic level, and scrimp on most everything else. Examples include Apple products and funky/limited-edition footwear.

The most appropriate location for such retailers would be in Delano, along the stretch of West Douglas Avenue between McLean Boulevard and Seneca Street, given the cluster of hipster-oriented businesses already there (see table above), the relatively low rent levels (estimated at \$9-\$10/sq.ft.) as well as the district's edgy "outlaw" brand (as bestowed by the cowboys of yesterday and the motorcyclists of today).



Beavers Den: one of several biker-oriented businesses on West Douglas Avenue in Delano

### The “yup-ster”

The presence of hipsters often foreshadows the arrival of another psycho-graphic niche, the “yup-ster”, a unique blend of a “yuppie” and a “hipster”. The yup-ster will typically have a more established career and earn more money than the hipster, and she can range in age from young professional to empty nester, but she shares the same sorts of creative and alternative sensibilities and tends to gravitate to areas that have developed reputations as hip and artsy.

Yup-sters are among Wichita’s most cosmopolitan and sophisticated residents. They value “high culture” and celebrate the creative and the cerebral. For example, they support the symphony, listen to jazz, watch “indie” films, participate in Final Friday art crawls, read *The New Yorker*, attend events at Watermark Books & Cafe, listen to National Public Radio (NPR), enjoy a nice glass of wine, and explore new and diverse cuisines.

Yet while they tend to be some of the most passionate supporters of Downtown, yup-sters are not as enamored with urban grit and edge as the hipsters, instead preferring settings that are a bit more stylized and sanitized. For instance, they might live in Downtown, but in the high-end Rumley Lofts. They might be curious about Latino food and culture, but only when dressed in more familiar, upscale garb, as at Sabor Latin Bar & Grill.

TABLE 4. EXAMPLES OF YUP-STER BUSINESSES (not exhaustive)

Name	Category	Location
Lucinda’s	Variety	Old Town
Bella Luz	Variety	Old Town
Aspen Boutique	Fashion	College Hill
Chico’s	Fashion	Bradley Fair
Coldwater Creek	Fashion	Bradley Fair
Ferguson-Phillips Homeware	Home furnishings	College Hill
Traditions Furniture	Home furnishings	College Hill
Beyond Napa	Wine	Old Town
Watermark Books & Cafe	Books/café	College Hill
Caffe Moderne	Café	Old Town

MJB Consulting  
Retail Analysis Memo / Downtown Wichita / November 2010

La Galette	Restaurant	Delano
Uptown Bistro	Restaurant	Old Town
Sabor Latin Bar & Grill	Restaurant	Old Town
Clifton Wine & Jazz	Bar	College Hill
Oeno Wine Bar	Bar	Old Town

Source: MJB Consulting

Yup-sters, however, do not only live in Downtown lofts: they are also found in relatively high concentrations in the dense, close-in neighborhoods of College Hill and Riverside, living in historic Victorian and bungalow homes on tidy, tree-lined blocks, enjoying an urban alternative to the postwar suburban sub-division that is at the same time, not *too* urban.



A residential block in Riverside

Indeed, in addition to Downtown, a number of Wichita's yup-ster businesses (see table above) are in fact located in the small, neighborhood-scaled business districts nestled within these same neighborhoods, like the ones, for instance, along East Douglas Avenue in College Hill, at that corridor's intersections with Hillside Street and Oliver Street.

However, Downtown boasts the city's largest cluster, including some of the most successful, like, for instance, Lucinda, Bella Luz and Sabor Latin Bar & Grill. Such businesses tend to be located in Old Town, and specifically, in Old Town Square, which has successfully branded itself as a more mature and upscale pocket within the broader Old Town district.

The strength of these existing co-tenancies suggests the potential for adding more of the same. For example, there could be a greater variety of sit-down restaurants in Old Town, specifically, ethnic cuisines to entice yup-ster diners.

At present, Wichita's largest concentration of ethnic restaurants is on the North Broadway Street corridor, roughly between East Central Avenue and East 21<sup>st</sup> Street N.

Yet while some of these might draw Downtown office workers during the lunch hour, Midtown's foreboding feel after nightfall limits the dinner traffic. Indeed, Maharaja Cuisine of India recently relocated to West Central Avenue because, according to the owner, "people don't like to come [to North Broadway] in the evening."<sup>3</sup>

For this reason, Old Town would be a better location for ethnic offerings that aim for such a "cross-over" draw. To maximize their appeal, however, they might also need to be "re-packaged" – in terms of signage, service, menu and experience – so as to feel more welcoming and less intimidating to mainstream diners, as well as marketed through conventional channels (e.g. reviews in the *Wichita Eagle*, *Splurge!*).



Danny Nguyen, owner of **Pho Hot** (on East Pawnee Street) and the more upscale **Pho Hot Bistro** (on North Rock Road), is an example of an entrepreneur who is willing to "re-package" his concepts to appeal to a broader audience

Generally speaking, sit-down restaurants are an ideal use for corridors that have not yet been redeveloped, as they have the unique ability to draw people to parts of town that they would otherwise ignore or avoid. Specifically, eateries might be utilized in this context as "pioneers" of the so-called "Old Town West" sub-district, steered towards ground-floor spaces, for example, in new mixed-use projects along North St. Francis Street.

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<sup>3</sup> As quoted in Carrie Rengers' January 14, 2010 post on her "Have You Heard?" blog on the website of *The Wichita Eagle*.



Also, one of Old Town's most unique aspects, as a case study in downtown revitalization, is the success of its boutiques, with shops like Lucinda's, Bella Luz, Aida's Silver Jewelry and First Gear reportedly achieving sales levels more commonly found in enclosed regional/super-regional malls. Such performance suggests that additional yup-ster concepts could be viable going forward.

Yup-ster concepts like Lucinda's, Bella Luz and even Aida's Silver Jewelry attract a consumer who is looking for styles that are a bit more "artsy", "eclectic" or "funky", either the sorts of twenty- and thirty-somethings who might be drawn to stores like Urban Outfitters or Anthropologie, or the kinds of empty nesters who would gravitate to brands like Eileen Fisher, Chico's or Coldwater Creek.



The Chico's store at Bradley Fair

While certain "yup-ster" chains with more of a *faux-boutique* positioning, like Anthropologie<sup>4</sup> and I.O. Metro<sup>5</sup>, might be within the realm of possibility, Downtown Wichita should, generally speaking, be targeting smaller-scale entrepreneurs and "chain-lets", and *not* large brands. Indeed, one of its chief points of differentiation, vis-à-vis homogenized suburban competitors like Towne East Square and Bradley Fair, is its carefully curated, "one-of-a-kind" shops.

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<sup>4</sup> Anthropologie does not presently have a Wichita-area location but it has been known to take chances on re-emergent downtowns (e.g. its store in Milwaukee's Third Ward) and similarly sized markets (e.g. the Jackson, MS metro).

<sup>5</sup> I.O. Metro is a fast-growing purveyor of moderately priced modern furniture that focuses on mid-sized markets and is willing to consider downtown settings. Unlike Abode Home, which was devastated by the economic downturn, I.O. Metro has thrived in recent years.

Of course, a center such as Bradley Fair has its share of boutiques as well, like, for instance, Bricks/Genevieve G Shoes, Lyndon's and Nouveau, but this gets to another point of differentiation: many of the merchants who choose to operate in a downtown setting are fiercely devoted to it, and they could not imagine ever locating in the suburbs no matter how attractive the opportunity on conventional grounds.<sup>6</sup>

Finally, the sorts of boutiques at a Bradley Fair tend to be the well-established ones that have been in business for decades<sup>7</sup> and are generally considered credit-worthy. Most independently owned and operated businesses, however, are in much earlier stages of their respective lifecycles: they cannot afford the rents in the low to mid \$20's/sq.ft. charged at such a center, nor would they be welcomed there.

For these reasons, Downtown's most direct competition is *not* necessarily the large suburban shopping centers, but rather, as described above, those neighborhood-scaled business districts nestled within the dense, close-in, neighborhoods that predate the postwar suburban era, as these can differentiate themselves in similar terms, inspire the same kind of fierce devotion, and offer roughly comparable rents.



It is difficult to imagine Riverside Perk feeling at home at a NewMarket Square

Old Town is well positioned in this competition, in that it still has small floor-plates to offer. Riverside, on the other hand, has very little retail fabric, and of the two aforementioned nodes along East Douglas Avenue in College Hill, the one at Oliver

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<sup>6</sup> This would rule out the Shops at Tallgrass, across East 21<sup>st</sup> Street from Bradley Fair, which might otherwise appeal to less established boutique entrepreneurs looking for more affordable rents.

<sup>7</sup> For example, Lyndon's first opened in 1975 and Nouveau, 1978.



Street is virtually full<sup>8</sup>, while the other, at Hillside Street, converges on an automobile-dominated, pedestrian-unfriendly intersection that could deter such prospects.<sup>9</sup>

Of course, Delano's West Douglas Avenue also has available, competitively priced space. However, as discussed earlier, existing co-tenancies are a critically important factor for boutique entrepreneurs, and Old Town offers more in this respect. Indeed, the current mix in Delano would seem to be a much better fit for the sort of hipster-oriented fare proposed above.



A yup-ster entrepreneur would probably prefer to locate in a space near Lucinda's versus one close to say, Rewound Sounds

Finally, while sit-down restaurants could play the role of pioneer, new boutiques want and need to a much greater extent to be close to and able to take advantage of the cross-traffic generated by existing ones -- that is, in the case of yup-ster businesses, *not* on the periphery of Old Town, but rather, in "in-fill" spaces within the heart of the district.

One last recommendation for both the yup-ster and hipster psycho-graphic segments is a cinema that concentrates on art and independent films. Currently there are no such theatres, in a metropolitan area with almost 600,000 people (and a 7-year-old film festival). Arguably the most appropriate venue in the city is the Old Town Warren, which could devote one or two screens to such fare. Failing that, either the Orpheum Theatre or the Scottish Rite Temple could look to secure films for regular showings.

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<sup>8</sup> The 8,580 sq.ft. space formerly occupied by Barrier's Jewelry is still vacant, but that floor-plate is far too large to be affordable to most such users.

<sup>9</sup> Clifton Square, the shopping "village" just to the east of this intersection, between North Clifton Avenue and North Yale Avenue, provides low-cost space for early-stage entrepreneurs -- current asking rents are roughly \$9 to \$10/sq.ft. -- but it appears to be transitioning to primarily an office complex. Indeed, in Carrie Rengers' April 23, 2010 post on her "Have You Heard?" blog on the website of *The Wichita Eagle*, Clifton Square's owner, Jo Zakas, notes that it is "becoming quite the medical area", and that "we'd like to expand on that".

Meanwhile, some 6,000 sq.ft. of ground-floor retail space is planned as part of the Parkstone development at East Douglas Avenue and North Rutan, but as new construction, it might be challenged to offer the sorts of rents -- in the mid teens per sq.ft., at the most -- that could compete with existing bays in/near Old Town.



### **The student and young adult**

University students represent another opportunity for Downtown. Wichita can claim roughly 20,000 in total: Wichita State University (WSU) boasts an enrollment of nearly 15,000 at its main campus to the northeast of Downtown, while Friends University and Newman University add another 3,100 and 2,000, respectively, at their primary sites to the southwest.

Even, however, with 20,000 of them, Wichita does not have any sort of “college drag”. WSU would be the school most likely to have one, yet with the notable exceptions of the William H. Smith Bowling and Recreation Center (in the Rhatigan Student Center) and Kirby’s Beer Store, there is precious little on the campus and in the surrounding neighborhood beyond basic conveniences (e.g. textbooks, fast food, ATM, etc.)



WSU’s Rhatigan Student Center

Students therefore largely have to look elsewhere for shopping, sit-down dining and nightlife. A certain percentage would qualify as early-stage hipsters and act similarly as consumers (see above), but a much larger number can be characterized in terms far more conventional. Furthermore, recent graduates often retain this same sensibility for their first few years after college. Combined, these young adults represent a sizable sub-market in their own right.

For example, as avid sports fans who drink mainstream American beers and do not prioritize décor, the men tend to prefer typical sports bars, like Heroes Sports Bar. Alternatively, they might gravitate to ones that base their appeal at least partly on



female sexuality, like, say, Emerson Biggins (see below). Indeed, Hooters is one of this psycho-graphic's most oft-patronized chain restaurants.



The home page on Emerson Biggins' website

The women follow mainstream fashion, perusing magazines such as Elle, but at the same time they lack the discretionary income needed for full-price, and will rely on Forever 21 for its inexpensive runway knockoffs. They will turn to that same store for dresses and tops to wear in the evenings, while their male suitors try to impress in sharp jeans and dress shirts purchased, say, at The Buckle.



Not surprisingly, Forever 21, featuring trendy, "of-the-moment" looks at very inexpensive prices, has been wildly popular since debuting at Towne East Square in 2008. Few other retailers in the region, however, can be said to offer something similar, and while the chain would be very unlikely to consider the Downtown for a second store<sup>10</sup>, perhaps a smaller-scale entrepreneur(s), utilizing the same "cheap chic" business model, could be drawn to the visibility of an Old Town location to the young adult-heavy nightlife crowd.

Also, judging by the long lines on a Saturday evening at, say, a Margarita's Cantina, the market for young adult-oriented dance clubs in Wichita appears to be far from saturated, and Old Town, boasting the largest concentration in the region (i.e. Doc Howards, America's Pub, Liquid, Finn's Lounge, etc.), is well positioned to take advantage by adding to its existing selection.

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<sup>10</sup> The same holds for the other well-known "cheap chic" purveyor, H&M, were it to choose to expand to the Wichita market.

The contribution of young adults to Downtown retail could be augmented still further by establishing a greater presence for Wichita State University, perhaps with some sort of satellite campus that includes a student housing component, thereby enabling the school to offer even more of the big-city urban experience that it emphasizes in its marketing materials.<sup>11</sup>



### **The impact of the INTRUST Bank Arena**

One cannot talk about the evening potential in Downtown without mentioning the presence of the new INTRUST Bank Arena (IBA). The concerts, Wichita Thunder matches and various other events generate large numbers of potential customers for nearby restaurants and nightspots, with the impact especially significant during the week, when such establishments would otherwise be far less busy.



During the first quarter of 2010, the INTRUST Bank Arena sold 52,592 tickets, ranking it as the 45<sup>th</sup>-busiest arena in the world, and 22<sup>nd</sup>-busiest in the U.S.<sup>12</sup>

Of course, the crowd attracted by the arena consists of far more than just students and recent graduates. Indeed, it is as wide-ranging in psycho-graphic terms as the state itself, also including, for example, working class Wichitans from the city's southern reaches as well as rural folks from West Kansas: the impact depends on that night's event, and the specific business.

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<sup>11</sup> In the "About WSU" page on its website, the university writes: "Location. It's what separates Wichita State from the other guys. As Kansas' only urban-serving research state university, WSU can offer things the others can't. By combining a traditional college atmosphere with the endless possibilities of the state's biggest city, Wichita State is the only school in Kansas that can provide an educational experience that goes beyond the limits of a typical college town. Bottom line – because we're in Wichita, Kansas, Wichita State students have advantages other students don't. Period."

<sup>12</sup> According to Pollstar, as referenced in Chris Moon's April 16, 2010 *Wichita Business Journal* article entitled "INTRUST Bank Arena ranked high for ticket sales".

For example, Old Chicago Pasta & Pizza has proven to be popular regardless of what is happening at the arena, whereas the evening offerings of Melad Stephan's Empire Restaurant Management (Uptown Bistro, Sabor Latin Bar & Grille and Oeno Wine Bar), while in high demand for the Billy Joel and Elton John performance, did not draw heavily for the Taylor Swift concert.<sup>13</sup>

This illustrates an important point. The establishments likely to be the most successful in catering to the arena traffic are the ones that appeal to the broadest possible market, that is, that draw the widest range of incomes and sensibilities. In this sense, Old Chicago's accessible pizza and beer concept and moderate price-point was bound to enjoy more of a boost than Stephan's yup-ster fare.



Generally speaking, “middle-of-the-road” food and drink concepts – like, for example, the family restaurant – are able to engage the more rural Kansans in town for concerts in the arena, as well as the blue-collar young singles and retirees who live in the adjacent neighborhoods. These offerings need not be destinations in order to succeed, for they are simply targeting event-goers and residents already using the Downtown for other reasons.<sup>14</sup>

They are, however, serving a very important purpose in the mission of downtown. That is, even if Downtown Wichita can no longer be mass-market shopping destination for an entire region, it can still be – and indeed *should* still be -- something that belongs to everyone, a true crossroads that in some ways welcomes all of Wichita, with businesses that are relevant to a wide audience and not just to one or two narrowly defined niche markets.

This does not mean, however, that they necessarily have to be conventional. Take, for example, Pin-Up Bowl, a trendy, “retro-chic” bowling alley/martini lounge concept that first opened in St. Louis’ University Loop district in 2004, expanded with a second location at Kansas City’s Legends at Village West development in 2007 and has since

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<sup>13</sup> According to Daniel McCoy and Josh Heck’s April 9, 2010 *Wichita Business Journal* piece entitled “Restaurants and retailers riding the tide of different arena demographics”.

<sup>14</sup> For the sake of clarity, residents are already “using Downtown” because they treat Downtown as their local neighborhood business district.

been looking at other markets, including Wichita, where it was talking with the developers of WaterWalk.<sup>15</sup>

Bowling is, of course, a widely popular pastime in Wichita, but it has never been offered in quite this swanky, “uber-cool” format, with the ability to draw from beyond its traditional base and attract nightlife seekers. Indeed, Joe Edwards, the owner, has described the Pin-Up Bowl concept as a “good martini lounge that [happens] to have bowling”.<sup>16</sup>



One note of caution, however, with this sort of bowling alley in Downtown: it might not be able to co-exist with the “Bowllagio” concept planned as part of a possible new commercial development at W. Kellogg Drive and S. Maize Road on the West Side. The two would not necessarily be programmed and marketed in exactly the same way, but the business models could still overlap, throwing feasibility into question.

Another example of the unconventional, Earls Restaurant, arrives by way of Canada.<sup>17</sup> Earls is the leading example of what has become known in that country as “casual chic”, referring to aggressively stylish and contemporary restaurant/bar concepts that have managed to secure broad appeal – among young adults, yup-sters and others -- with their blend of meat-and-potatoes and more adventuresome entrees, their wide range of price points, their use of strikingly attractive, provocatively dressed wait-staff and their ability to tap a widely shared desire to feel young, hip and modern.

Earls might at first seem like a concept geared primarily towards larger, more trendy metros, and its initial expansion in the U.S. has focused on such opportunities (e.g.

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<sup>15</sup> The developers of WaterWalk were said to be “courting” Pin-Up Bowl in Chris Moon’s November 2, 2007 *Wichita Business Journal* article entitled “WaterWalk courting retro bowling alley”. At the time, Joe Edwards, the owner of the concept, was also very interested. However, it is not clear how that courtship ended.

<sup>16</sup> As quoted in *Ibid*.

<sup>17</sup> Earls has already expanded to the U.S., with locations in the Denver, Phoenix and Seattle markets

Denver, Phoenix, Seattle) but in its home country, it has proven to be popular even in the suburban settings of smaller, second-tier markets. Furthermore, the model has also enjoyed success in close proximity to arenas programmed similarly to Wichita's INTRUST Bank Arena.



The stylish interior of an Earls

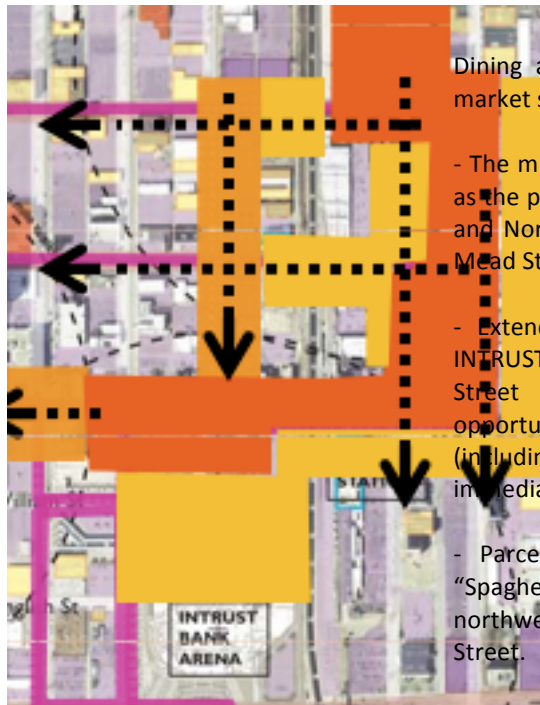
One might argue that concepts such as Pin-Up Bowl and Earls should be targeted for the WaterWalk development -- where an "entertainment district" is apparently still planned, and roughly 65,000 sq.ft. of signed leases and letters-of-intent are still in play<sup>18</sup> -- but rather than creating an entirely new center of gravity on that side of Downtown, it is recommended that such uses be sited in or on the edge of Old Town, en route to the arena, so that they can take full advantage of the synergies of locating within or near the *existing* dining and nightlife concentration.

This line of thought starts from the assumption that the market is not large enough to fill the entire Downtown with restaurants and entertainment venues. And because such uses benefit from strong co-tenancy, new offerings would be more likely to succeed -- and overall traffic and patronage would probably be higher -- if they are situated in close proximity to already-existing ones. In other words, it makes more sense to expand outward from current poles of strength than to start entirely from scratch somewhere else.

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<sup>18</sup> According to a March 12, 2010 *Wichita Business Journal* piece by Chris Moon entitled "WaterWalk faces impatience as it pursues entertainment district".





Dining and entertainment uses oriented towards the mass market should be targeted for the following:

- The mixed-use projects planned within Old Town itself, such as the parking lots at the northwest corner of East 1<sup>st</sup> Street N and North Mead Street, and East Douglas Avenue and North Mead Street.
- Extending along the route between Old Town and the INTRUST Bank Arena, encompassing the sites along St. Francis Street N in the “Old Town West” sub-district, in-fill opportunities in existing buildings along East Douglas Avenue (including Union Station and Eaton Place) and the parking lot immediately to the east of Naftzger Park.
- Parcels directly across from the arena itself, like the “Spaghetti Works” building and the parking lot on the northwest corner of South Emporia Street and East English Street.

### The other sub-districts

The sorts of retail uses for which WaterWalk (and the South Main Street corridor, more generally) would be appropriate are those “one-per-market” brands, like Gander Mountain, that seek a central location easily accessible from the entire metro and therefore covet the close proximity to the U.S. 400/U.S. 54/East Kellogg Avenue freeway, and that are willing and able to stand alone.

Another example would be Nebraska Furniture Mart (NFM), the Omaha, NE-based, Berkshire Hathaway-owned regional chain-let. Of course the WaterWalk development does not have the real estate to accommodate a full-sized NFM store – its Omaha and Kansas City locations are each 420,000 sq.ft. -- but the iconic retailer also operates a smaller, 24,000 sq.ft. format, selling just appliances, televisions and flooring, in the Des Moines, IA market, which is roughly the same size as Wichita’s.



Nebraska Furniture Mart’s smaller format in Clive, IA, within the Des Moines, IA metropolitan area

As for the waterfront development planned to the north, on the parking lot to the immediate north of and the vacant piece of grass directly across the Arkansas River from the Broadview Hotel, the presence of river-fronting, ground-floor restaurants and bars would be justified, so as to maximize public access to the amenity, but a larger-scale dining and nightlife component there should, for the reasons explained above, be discouraged.



Perhaps the most challenged district in Downtown from a retail point of view is the stretch of Douglas Avenue from the Arkansas River to Topeka Avenue. Even though it runs through Downtown's primary office district, foot traffic there is low, even during the weekday lunch hour.

One might expect such a canyon-like office corridor to be filled with fast-food restaurants, specialty-beverage purveyors and other lunch-hour conveniences, but in Wichita's automobile-dominated culture, workers typically think first of driving for such purposes – not walking – and expect such businesses to offer convenient on-site parking.

Indeed, almost all of the lunch spots popular among Downtown office workers are so equipped – the fast-food chains along South Broadway Avenue and North Broadway Avenue, the ethnic eateries further north on North Broadway Avenue, the yup-ster restaurants in Old Town, etc. Even the banks would rather place their branches on Downtown's periphery, where there is room for drive-thru lanes and on-site parking, than occupy a traditional storefront.

For this reason, existing ground floor spaces along this stretch of Douglas Avenue are at a disadvantage, and should be considered for other uses (e.g. retail-oriented offices, like, say, an Edward Jones) for the foreseeable future. The only exception would be a re-worked Garvey Center, where a small dining/nightlife component would serve the less adventurous/energetic conventioners and hotel guests in the immediate area.

One last point on this subject: the Exchange Place project planned for the northeast corner of East Douglas Avenue and North Market Street is slated to include a roughly 23,000 sq.ft., upscale “urban grocery market” on its ground floor.<sup>19</sup>

However, while such an amenity would undoubtedly help to market the project’s residential component, a grocery store of that scale, with an upscale orientation (and an entirely new parking technology), might be risky, given how reliant it would have to be on outmaneuvering nearby competitors (see table) for the expenditures of the well-educated, relatively affluent households of College Hill and Riverside.



The Dillons at the intersection of East Douglas Avenue and North Hillside Street, one of the would-be competitors to the grocery planned for the Exchange Place project

TABLE 5. RELEVANT GROCERY STORE COMPETITORS

Name	Approximate Location
Dillons	West Central Avenue and North West Street
Dillons	West 21 <sup>st</sup> Street N and North Amidon Street
Dillons	East Douglas Avenue and North Hillside Street
Dillons	East Harry Street and South Broadway Street
Dillons Marketplace	West 21 <sup>st</sup> Street N and North Maize Road
Dillons Marketplace	East Central Avenue and North Rock Road
Aldi	West 21 <sup>st</sup> Street N and North Amidon Street
Aldi	West 31 <sup>st</sup> Street S and South Seneca Street
Save-A-Lot	East 13 <sup>th</sup> Street N and North Grove Street
Wal*Mart Supercenter	West Pawnee Street and South Broadway Street
Super Target	West 21 <sup>st</sup> Street N and North Maize Road
Food For Thought	East Central Avenue and North Hillside Street
Green Acres	East 21 <sup>st</sup> Street North and North Rock Road

Source: MJB Consulting

Another possibility – for the higher-end consumer who lives and works in Downtown -- would be a smaller, 1,000 to 2,000 sq.ft. grocery that doubles as a lunch spot, or alternatively, a larger-footprint offering that caters primarily to the moderate-income population living in the close-in neighborhoods, like, for instance, Wal\*Mart’s Neighborhood Market concept.

<sup>19</sup> According to the page on Exchange Place on the website of its developer, Real Development. The high-end orientation is assumed because of the nature of the project and the intent to position the store as a “destination” with “unique offerings”.





A Wal\*Mart Neighborhood Market is a roughly 40,000 sq.ft. supermarket that does *not* sell the kinds of general merchandise found in the chain's traditional or supercenter formats

Finally, the Commerce Street Arts District, while very popular on Final Fridays, does not provide the sort of consistent foot traffic needed to sustain most types of shops. With its proximity to the arena, it could attract the interest of dining and nightlife operators but again, for the reasons discussed above, such offerings are ideally located elsewhere. Furthermore, the Arts District plays a critically important role as a symbol of the sort of Wichita to which so many Downtown yup-sters *aspire*.

Yet even if bars and restaurants were to be prohibited by zoning, fears of gentrification there are well founded, in that the presence of the arena and the development of Finn Lofts could ultimately lead to an escalation of property values and tax levies for current owners. If this were to happen, the City might consider the use of zoning to protect at least a small portion for this purpose, perhaps the stretch of South Commerce Street from East Waterman Street to East Lewis Street.



### **The entrepreneur**

Before it was discontinued in the early 2000's, the Farm and Art Market in Old Town served as an unusually effective incubator for new businesses, including ones that still operate in Old Town today, like Lucinda's and Aida's Silver Jewelry. A similar concept is recommended now, so as to spawn a new crop of successful entrepreneurs.

Indeed, a new vendor market would make particular sense in light of Wichita's reputation for entrepreneurialism. Perhaps Wichita State University's renowned School

of Entrepreneurship could be approached with the idea of entering into a partnership with the City of Wichita and/or the Wichita Downtown Development Corporation to support a space for such purposes.

As with the original Farm & Art Market, the structure would involve a master lease, entered into by one (or a combination) of these sponsors, which would, in turn, nurture the individual vendors with low and/or percentage rents and assume the risk on the space itself. Of course a loss is to be expected, and appropriate levels of subsidy would need to be provided.

Finally, the location for this enterprise would be critical. On one hand, it should not fill highly desirable space capable of attracting market-driven tenancies, but on the other, it needs to be sited within some flow of potential customers – perhaps with the help of a non-retail anchor use of some sort -- so that the vendors have a chance of surviving in the early years.

### **The recruitment**

Many of the above recommendations require “buy-in” from the primary implementers, the property owners (or, in certain cases, lease-holders). They are the ones who control the ground-floor space and ultimately make the call on possible tenancies.

In many cases, landlords will rely on commercial real estate brokers for this purpose. These individuals, however, survive on commission: they usually do not have the security of a base salary, and only make money if a deal is consummated. Furthermore, the amount that they make on a particular lease is typically determined by a percentage of the rent level agreed upon.

For this reason, brokers understandably allocate their time and energy to higher-rent deals that are more likely to happen, and with less aggravation. In most automobile-dominated metros, this implies a bias towards new space in suburban strips, and against historic buildings in downtown settings, which they will often characterize as “too much risk for not enough reward”.



Furthermore, the process of identifying and selling prospects is usually far easier in the suburbs: brokers will typically post a sign on a vacant space and wait for the possible

tenants to *contact them*. The same approach does not always work so well in a downtown setting, where the appeal is not necessarily a conventional one, and where it is often necessary to be more proactive in finding retailers and creative in framing the opportunity for them.

Finally, as they are usually deal-driven and focusing on matching space to tenant, brokers are not incentivized to think more broadly about the larger dynamic of or the longer time horizon for a given business district. Opportunities to create and reinforce synergies between multiply owned properties could be missed as a result.

None of this is meant to cast aspersions on the broker profession. It is *entirely understandable*, given how and by whom they are paid, that they would choose to focus on what they do and approach it in the way in which they do. The point is merely to shed light on the larger framework within which retail leasing takes place, and in so doing, to clarify what sort of role other actors might play in rearranging that framework to downtown's benefit.

For example, many Business Improvement Districts (BID's) across North America have decided to create an in-house resource, a salaried, full-time employee dedicated solely to retail recruitment, who can supplement and support the efforts of brokers by assuming responsibility for the time, headache and risk often involved in trying to fill downtown retail space.

Specifically, this "retail recruiter" would focus on identifying and pursuing prospects, and more generally, "curating" a vibrant and synergistic retail mix for the entire business district. If he/she develops a promising lead, it is then forwarded to the appropriate landlord and/or broker, with the latter earning the commission on any deal that is consummated.

The recruiter is also responsible for a number of tasks attendant to the goal of tenant recruitment. This would include, for instance, the creation and maintenance of a "vacancy database", the development of marketing collateral (see below), etc. It could also encompass the tenanting and management of master-leased spaces, as discussed in the above section on "The Entrepreneur".



MJB Consulting and the Downtown Raleigh Alliance worked together on the development of a retail leasing brochure that the recruiter as well as brokers could use in selling Downtown Raleigh to prospective tenants. This piece also included room for inserts on specific spaces, sub-districts and sub-markets

This recruiter need not be an actual broker: the fundamentals of how retail works, how to identify realistic prospects, how to make a compelling “pitch”, how to speak the “language” of leasing, how to respond to typical concerns about downtown settings, etc., can be taught and learned. Indeed, MJB Consulting is providing just this sort of training to a number of current clients, including, for example, the Downtown Raleigh Alliance (DRA).

This recruiter does, however, need to be analytical, detail-oriented and well organized, with a knack for selling, a capacity for perseverance and a passion for Downtown Wichita. In addition, he should have an understanding of the specific psycho-graphic niches that would be targeted, and ideally, given its importance to retail, a working knowledge of fashion.

Finally, it is worth noting here that recruitment often requires direct retail “stimulus” so as to level the playing field for downtown retail. Cities across the U.S. have experimented with different types of incentive programs: in addition to the standard façade-improvement funds, several have offered forgivable loans to help with tenant build-outs, and some are even going further, with, for example, broker supplements to narrow the gap with suburban payouts.

In the 2000’s, for example, the City of St. Louis approved the use of \$400,000 in Federal Community Development Block Grant (CDBG) funds for small forgivable loans to new retail tenants for build-out, equipment, inventory or working capital. With a net increase of 110 businesses in its five years of operation, the program was considered a

success, helping to create active street retail in a downtown that previously had very little.



Active street retail in  
Downtown St. Louis

## APPENDIX

### A. Downtown retail as a mass-market attraction

Like most downtowns across the United States, Downtown Wichita used to be *the* premier shopping district of the entire city. As late as the 1970's, retail thrived in the four square blocks bordered by East 1<sup>st</sup> Street N, Broadway, East William Street and Main Street, with the "100% corner"<sup>20</sup> at the intersection of Broadway and Douglas Avenue.

In those times, the retail in Downtown Wichita was a "mass-market" attraction. That is, everybody went there, and it was a part of the city's collective understanding of itself, with stores that everyone shopped in and traditions that everyone took part in.



A shot of South Broadway, looking south, in 1972, with a Macy's department store in the foreground.

Of course, that era was soon to come to an end, with the rise of the suburban shopping center. In 1973, at the intersection of East Douglas Avenue and South Rock Road, Melvin Simon & Associates started construction on what would become Wichita's first enclosed super-regional mall.<sup>21</sup> Towne East Square opened in 1975, with three anchor department stores (J.C. Penney, Henry's, Dillard's) and over 1,000,000 square feet of retail space.

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<sup>20</sup> The "100% corner" is a term-of-art in the retail industry, referring to the intersection of a business district where visibility and foot traffic are greatest and where, for that reason, rents would be highest.

<sup>21</sup> In the shopping center industry, "super-regional" defines centers with 800,000 sq.ft. of retail space or more, whereas "regional" refers to ones with 400,000 to 800,000 sq.ft.



Melvin Simon (left), in 1973, showing the architectural model of the Kellogg Mall, later renamed Towne East Square

With its location in East Wichita, its direct access to/from an U.S. 400/U.S. 54/East Kellogg Avenue interchange, and its accommodation to the automobile, a shopping center like Towne East Square was far better positioned than a traditional downtown to serve as the new “mass-market” draw of a new, suburban-oriented, car-centered American lifestyle.

This is not a story specific to Wichita, but rather, one that could be told in reference to almost any city in the United States during the postwar period. The second half of the 20<sup>th</sup> century saw downtowns across the country lose much of their relevance from a retailing point of view<sup>22</sup>, as people stopped viewing them as shopping destinations or visiting them for that specific purpose.

However, Wichitans who are old enough – generally, 50 years old or more – still remember this Downtown of an earlier era very fondly, and many still long for its return. “We remember Macy’s,” they will say, “and we want it back.”

Others, while perhaps not as driven by nostalgia, still view the “mass-market” approach as one that could be successful in Downtown, pointing to cities with downtowns that have been resuscitated by the development of an enclosed regional/super-regional mall, like, for instance, Indianapolis or San Diego.

A quick look at the numbers alone, however, indicates why the Downtown of the 1950’s can no longer be. Consider, for example, the case of a mass-market retailer that is looking to open its first store in the Wichita market. Assume, for the purposes of discussion, that this operator is highly desired by landlords and can have its pick of locations.

Upon comparing the demographics within a five-minute drive of Downtown, Towne East Square and NewMarket Square, he finds the following:

TABLE 1. DEMOGRAPHICS WITHIN A FIVE-MINUTE DRIVE TIME

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<sup>22</sup> Their relevance did not decline so precipitously in other realms. For instance, downtowns never truly lost their status as an office address.

	Downtown	Towne East Square	NewMarket Square
Population	<b>42,310</b>	30,108	26,148
% with B.A. or more	15%	<b>36%</b>	<b>43%</b>
% White-Collar	48%	<b>66%</b>	<b>74%</b>
Median HH Income	\$32,250	<b>\$43,601</b>	<b>\$76,787</b>
% of HH at \$75K+	10%	<b>22%</b>	<b>52%</b>
Median Home Value	\$61,500	<b>\$113,750</b>	<b>\$160,000</b>

Source: Nielsen-Claritas, MJB Consulting

Such demographic comparisons do not present Downtown is a favorable light vis-à-vis its primary competitors.

Downtown has other drawbacks as well. For example, most retailers do not want to open in settings where they would be largely responsible for generating their own traffic; they prefer locations where they can take advantage of cross-traffic from other stores (or “co-tenants”). Indeed, the industry proverb is that “retailers are like lemmings: they follow each other, *even* off a cliff”.



Retailers: like lemmings

This “safety in numbers” philosophy applies even to competitors. Indeed, the standard regional/super-regional mall contains many stores operating in the same category of goods, including large department stores. Generally speaking, retailers prefer such concentrations because they figure that they will get more traffic there than they would on their own. This holds for fashion, for furniture, even for fast food.





The mall food court: a textbook example of the  
“safety in numbers” philosophy

Say that this retailer looking to open its first store in Wichita is a clothier. For this prospective tenant, Towne East Square can point to the traffic-generating abilities of its department stores – Sears, J.C. Penney, Dillards and Von Maur – as well as other “junior” anchors like Forever 21 and Old Navy, not to mention the big and medium box retailers nearby (e.g. Target, T.J. Maxx, Burlington Coat Factory).

Downtown, in contrast, does not boast any traditional retail anchors. Of course, unlike suburban centers, it can point to other sources of traffic besides the residential base: for example, there are an estimated 21,800 daytime workers<sup>23</sup>, 274,298 annual conventioners<sup>24</sup>, 425,941 event-goers at Century II<sup>25</sup>, 400,000 at Lawrence-Dumont Stadium<sup>26</sup> and another 600,000 projected for the Intrust Bank Arena<sup>27</sup>.

However, all of these user groups are in Downtown for other purposes and not specifically to browse and purchase clothing. In fact, shopping is *not* a likely additional activity for any of them. A prospective tenant will assume, on the other hand, that in an enclosed regional mall like Towne East Square, a very high percentage of the foot traffic is there to do just that.



To a clothier, a department store is a more compelling anchor than a convention hall

As mentioned above, some point to the few cases of successful downtown malls as evidence that this approach should be emulated in Wichita. In fact, most of the ones that were developed in the 1970's and 1980's have failed, and closer scrutiny of the few exceptions reveals that they should not be used as comparables for Downtown Wichita.

Take Indianapolis' downtown, for example. 1995 saw the debut there of Circle Centre, a four-level, 736,000 sq.ft. enclosed regional mall anchored by Nordstrom and Carson Pirie Scott. The center is considered a success: it registers sales of approximately

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<sup>23</sup> According to statistics compiled by the Wichita Downtown Development Corporation (WDDC).

<sup>24</sup> Ibid. Note that this does not include the roughly 590,000 annual conventioners outside the Downtown.

<sup>25</sup> Ibid. Includes conventioners.

<sup>26</sup> Ibid.

<sup>27</sup> Ibid.

\$406/sq.ft.<sup>28</sup>, roughly even with the nationwide average, and has had a catalytic effect on surrounding blocks and the downtown as a whole.

This mall, however, is able to take advantage of much stronger demographics within a five-minute drive:

TABLE 2. DEMOGRAPHICS WITHIN A FIVE-MINUTE DRIVE TIME

	<b>Downtown</b>	<b>Circle Centre</b>
Population	42,310	<b>57,172</b>
Median HH Income	<b>\$32,250</b>	\$30,668
# of HH's at #35K+	8,008	<b>10,115</b>
# of HH's at \$50K+	4,864	<b>6,656</b>
# of HH's at \$100K+	843	<b>1,867</b>
Total Retail Expenditures	\$509M	<b>\$665M</b>
% of HH's without a Car	13%	<b>24%</b>

Source: Nielsen-Claritas, MJB Consulting

The median income levels may be similar, but due to the ability to reach a higher number of potential shoppers within a five-minute drive, Circle Centre can tap larger pools of the middle- and upper-income consumers that malls typically find most desirable, partly explaining the presence of an upscale anchor like Nordstrom, which, in turn, helped to lure other up-market brands like Coach, Johnston & Murphy, Talbots and Banana Republic.

Furthermore, with more than 50% of the mall's sales to customers from outside the Indianapolis metropolitan area<sup>29</sup>, visitors are extremely important to Circle Centre's performance, and Downtown Wichita simply cannot match the volumes generated by such draws as the Indiana Convention Center, Conseco Fieldhouse (home to the NBA's Pacers) and Lucas Oil Stadium (NFL's Colts).

Perhaps most importantly, the developer, part-owner and manager of Circle Centre, Simon Property Group, is headquartered in a 14-story office building across the street from the mall and one of downtown's great benefactors. As one former Deputy Mayor said, "they're [the Simon's] just one of those families--it's just in their DNA to give back to the city."<sup>30</sup>

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<sup>28</sup> As of 2007, according to a January 26, 2009 *Indianapolis Business Journal* piece by Greg Andrews entitled "Ailing anchor store casts shadow over Circle Centre".

<sup>29</sup> According to Johnson Consulting's "*Proposed Economic Development Project: Pabst City*", submitted in May 2005 to the City of Milwaukee.

<sup>30</sup> Said Steve Campbell, former Deputy Mayor, as quoted in an April 20, 2009 *Indianapolis Business Journal* piece by Cory Schouten entitled "Simon's family interests thrive, but taxpayers pay the price".

That is, there were other factors driving Simon's initial interest -- and continued stake -- besides simple market viability. Projected sales could not possibly have justified the 17 years that the project took to develop and open. Indeed, Circle Centre's sales levels, while average by nationwide standards (see above), are 17% lower than the company's average of \$491/sq.ft. for its 168 regional malls across the country.

Finally, in the case of Circle Centre, the public sector was willing to mitigate the risk for Simon, with the City of Indianapolis funding \$187 million of the roughly \$320 million total project cost through the sale of Tax Increment Financing (TIF) bonds and then offering the land rent-free.

For all of these reasons, it is highly unlikely that Downtown would be able to attract the interest of an experienced mall developer or recreate any sort of "mass-market" shopping draw. This does *not*, however, mean that efforts to improve on the current retail mix would be futile, just that the approach will need to be different. For more on this point, please return to p. 3.